

Expansion of lending operations

First loan disbursements on Rohi Abreshim bazaar in Dushanbe

In August TajPrombank disbursed its first loans in Rohi Abreshim bazaar in Dushanbe. The Rohi Abreshim bazaar is one of the biggest bazaars in Dushanbe, also known as 82nd bazaar. Clients can be served directly in the bazaar, making working with the bank more convenient. The loan officers for this lending unit had al-

ready been trained for three months in the Head Office of TajPrombank and in the Korvon bazaar outlet.

Expansion of operations in Kurgan Tyube

Kurgan Tyube has seen the opening of a second TMSEF lending unit by Bank Eskhata. Since September 2004 the program has been operating through one lending unit in the branch of Tojiksodirotbank. Clients will now be in

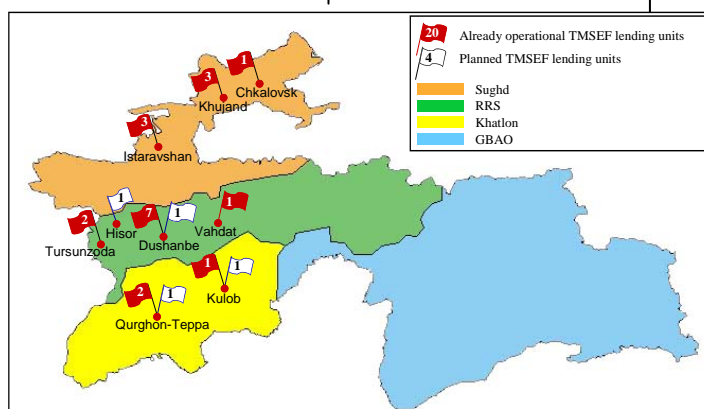
the position to choose from different providers of financial services. For Bank Eskhata it is an important step forward, as it is in the process of reaching out to the Khatlon region. The bank started as a regional bank and is now continuing to develop into a national bank, expanding its branch network to the Southern part of Tajikistan. As part of this strategy Bank Eskhata opened an outlet in Kurgan Tyube three months ago and

started to train loan officers in its existing branches in Dushanbe and Khujand. In late August these already trained and highly motivated loan officers have returned to their home town and started marketing among the local business community. The first disbursements are expected to happen in September. Kurgan Tyube, the capital of the

Khatlon region, is a lively trade city and the center of the commercial chain of the Southwest of the Republic of Tajikistan.

Start of operations in Gissar

Agroinvestbank has been training loan officers for new lending units in their branch network in the last months. In the last days of August these loan officers have been transferred to Gissar, where they started marketing for microloans under TMSEF. Agroinvestbank will be the first bank to operate a TMSEF lending unit in the town of Gissar. Gissar is some 20 km to the West of Dushanbe and is a major hub in the construction materials trade. TMSEF used to cater for Gissar's clients via branches/outlets in Dushanbe and Regar where the TMSEF already operates. From now on, these clients will be able to receive loans directly in their hometown. The bank also plans to start operations in Kulyab and later on in Kurgan Tyube.



MAJOR AUGUST PORTFOLIO STATISTICS

Outstanding Portfolio in USD:	\$ 6,645,120
Number of Loans below \$1,000:	40%
Number of Loans below \$5,000:	85%
Loans to Clients New to the Banking Sector:	85%
# Loans to Female Entrepreneurs:	45%
Share of Dushanbe Portfolio:	46%
Share of Sogd Portfolio:	36%
Share of Khatlon Portfolio:	7%
Share of RRS Portfolio:	11%
MSE Lending Units:	20
Planned for Next Month:	22
MSE Program Loan Officers:	135
Planned for Next Month:	145
Portfolio at Risk > 30 days	0.04%

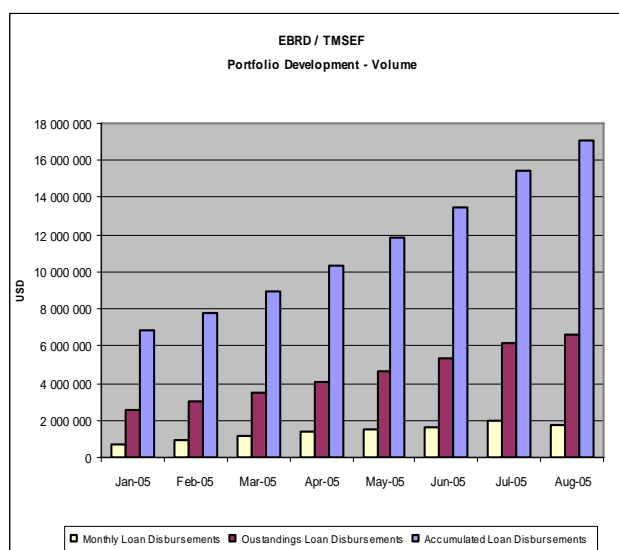
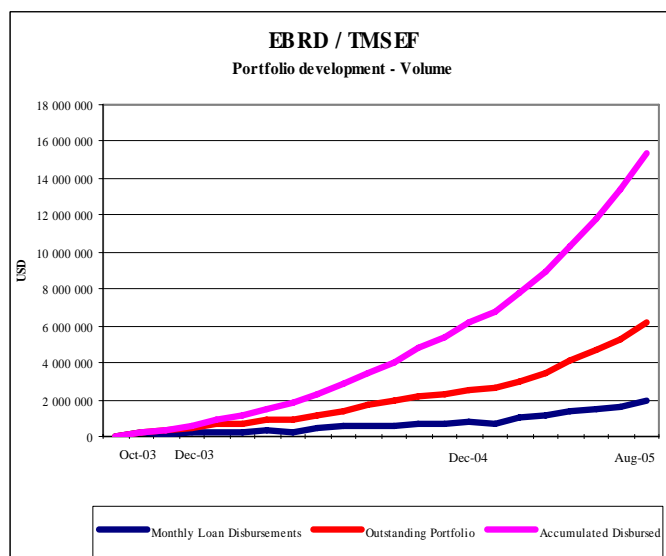
Loans Disbursed in July 2005	Loans Disbursed in August 2005	Cumulated Disbursements since October 2003
664 loans	663 loans	6,456 loans
\$1,958,639	\$1,692,471	\$17,107,318
\$2,949 average	\$2,552 average	\$2,649 average

The **TAJIKISTAN MICRO AND SMALL ENTERPRISE FINANCE FACILITY (TMSEF)** is the fourth project of this kind in Central Asia and like the KSBP (Kazakhstan), KMSEF (Kyrgyzstan) and J-USBP (Uzbekistan) it focuses on institution building in selected partner banks and the delivery of sustainable and efficient financing to Micro and Small Enterprises (MSEs).

The Facility started lending operations to MSEs in October 2003. Partner banks fund the initial growth of the loan portfolio out of own resources, while EBRD and its partner organizations in the Facility provide funding for technical assistance. EBRD signed a first loan agreement (USD 1 million) with Bank Eskhata, a second loan agreement (USD 2 million) with Tojiksodirotbank, a third one (USD 2 million) with TajPrombank and a fourth one with Agroinvestbank (USD 2 million). IFC provides co-financing to Bank Eskhata (USD 1 million).

The technical assistance supports Bank Eskhata, Tajiksodirotbank, TajPrombank and Agroinvestbank in establishing MSE lending departments, developing loan products tailored to entrepreneurs' requirements, and in training bank personnel in a cash-flow driven credit technology.

DFID together with USAID and EU have provided and committed the necessary technical assistance funds for EBRD to engage in long-term institution building in the banking sector. Additionally, the Swiss Government through SECO has granted a risk sharing guarantee for EBRD loans to the partner banks. TMSEF will also benefit from TA funds from the EBRD's Early Transition Fund (ETC Fund) from September 2005.



PLANS FOR SEPTEMBER 2005

- Institutional strengthening of the existing branches and banks
- First loan disbursements in Agroinvestbank Gissar
- Selection of loan officer candidates for Agroinvestbank Kurgan Tyube
- Excursion of Small Business Loan Officers to the MicrofinanceBank in Baku
- Start of operations with Agroinvestbank in Kulyab

TMSEF CLIENTS

Abdukhamid Gaffurov used to be a wholesale importer of Kazakh flour. After he saw grain processing operations in Kazakhstan he decided to open such a mill in his hometown Istara-vshan. The city's bread factory had stopped production at the end of the Soviet Union. Mr. Gaffurov decided to renovate the factory and turn it into a flour mill. It took one and a half years, a lot of work and funds, to achieve this. He received support by the entire family. The renovation started in March 2003 and the first flour was milled in November 2004. The only problem was that all funds were used for

the renovation work and there was not much left for the necessary grain to be milled. Mr. Gaffurov turned to the microlending department of Tojiksodirotbank in Istara-vshan and on March 1, 2005 he received a USD 4,700 for three months. His flour under the brand of "Kiropol" (which is the old name of Istara-vshan) became the most popular flour in the local market. About 50-60% of the flour is now being sold to Southern Tajikistan, a share that Mr. Gaffurov had hoped for.

The processing capacity of the mill is 1,300 tons per month. As funds were still small in the beginning,

the mill was making 90 tons per month only. After working with the first loan, Mr. Gaffurov approached the bank again and received a second loan for USD 8,000 in June 2005. The monthly production of flour is now at 300 tons per month. Meanwhile sales to Southern Tajikistan have grown to a share of 80%.

Mr. Gaffurov says: "I like the uncomplicated approach of the bank. In a very short time you can receive a loan without unnecessary hassle and

can develop your business. I will continue to cooperate with the bank to expand production. Indeed, the demand is bigger than what I can offer."

